

May 1, 2009

T. ROWE PRICE

# Equity Index 500 Portfolio

A fund that seeks to match the performance of the Standard & Poor's 500 Stock Index<sup>®</sup>, an index of common stocks.



*The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.*

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Founded in 1937 by the late Thomas Rowe Price, Jr., T. Rowe Price Associates, Inc. (T. Rowe Price), and its affiliates managed \$276.3 billion for more than 11 million individual and institutional investor accounts as of December 31, 2008. T. Rowe Price is the fund's investment manager.

**Mutual fund shares are not deposits or obligations of, or guaranteed by, any depository institution. Shares are not insured by the FDIC, Federal Reserve, or any other government agency, and are subject to investment risks, including possible loss of the principal amount invested.**

## T. Rowe Price Equity Series, Inc.

### T. Rowe Price Equity Index 500 Portfolio

#### OBJECTIVE, STRATEGY, RISKS, AND EXPENSES

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The fund should be used as an investment option for variable annuity and variable life insurance contracts.

##### **What is the fund's objective?**

The fund seeks to match the performance of the Standard & Poor's 500 Stock Index®. The S&P 500 is made up of primarily large-capitalization companies that represent a broad spectrum of the U.S. economy and a substantial part of the U.S. stock market's total capitalization. (Market capitalization is the number of a company's outstanding shares multiplied by the market price per share.)

The inclusion of a stock in the S&P index is not an endorsement by Standard & Poor's of the stock as an investment, nor is S&P a sponsor of the fund or in any way affiliated with it.

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##### **What is the fund's principal investment strategy?**

The fund invests substantially all of its assets in all of the stocks in the S&P 500 Index. We attempt to maintain holdings of each stock in proportion to its weight in the index. This is known as a *full replication* strategy.

Standard & Poor's constructs the index by first identifying major industry categories and then allocating a representative sample of the larger and more liquid stocks in those industries to the index. S&P weights each stock according to its total market value. For example, the 50 largest companies in the index may account for over 50% of its value.

T. Rowe Price compares the composition of the fund to that of the index. If a material misweighting develops, the portfolio managers seek to rebalance the portfolio in an effort to realign it with its index. In addition to stocks, the fund may purchase exchange-traded funds, stock index futures, or stock options in an effort to minimize any deviations in performance from its index.

While there is no guarantee, the investment manager expects the correlation between the fund and the index to be at least 0.95. A correlation of 1.00 would mean the returns of the fund and the index almost always move in the same direction (but not necessarily by the same amount). A correlation of 0.00 would mean movements in the fund are unrelated to movements in the index.

Certain investment restrictions, such as a required minimum or maximum investment in a particular type of security, are measured at the time the fund purchases a security. The status, market value, maturity, credit quality, or other characteristics of the fund's securities may change after they are purchased, and this may cause the amount of the fund's assets invested in such securities to exceed the stated maximum restriction or fall below the stated minimum restriction. If any of these changes

occur, it would not be considered a violation of the investment restriction. However, purchases by the fund during the time it is above or below the stated percentage restriction would be made in compliance with applicable restrictions.

- ▶ ***For details about the fund's investment program, please see the Investment Policies and Practices section.***

#### **What are the main risks of investing in the fund?**

The fund is designed to track broad segments of the U.S. stock market—whether they are rising or falling. Markets as a whole can decline for many reasons, including adverse political or economic developments here or abroad, changes in investor psychology, or heavy institutional selling.

Since the fund is passively managed and seeks to remain fully invested at all times, assets will not be shifted from one stock or group of stocks to another based on their prospects, or from stocks into bonds or cash equivalents in an attempt to cushion the impact of a market decline. Therefore, actively managed funds may outperform this fund.

In addition, the fund is susceptible to tracking error, or the risk that fund performance will not match that of its index. Returns are likely to be slightly below those of the index because the fund incurs fees and transaction expenses, but the index has no fees or expenses. The timing of cash flows and a fund's size can also influence returns. For example, the fund's failure to reach a certain asset size may limit its ability to purchase all the stocks in the index and achieve full replication. Or, a large cash flow into or out of the fund may cause its return to deviate from the index.

As with any mutual fund, there can be no guarantee the fund will achieve its objective.

- ▶ ***The fund's share price may decline, so when you sell your shares, you may lose money.***

#### **How can I tell if the fund is appropriate for me?**

Consider your investment goals, your time horizon for achieving them, and your tolerance for risk. The S&P 500 Index is one of the most widely tracked stock indices in the world. If you seek a relatively low-cost way of participating in the U.S. equity markets through a passively managed portfolio and want to closely match the performance of this index, with the same level of risk, the fund may be an appropriate choice. The fund should not represent your complete investment program or be used for short-term trading purposes.

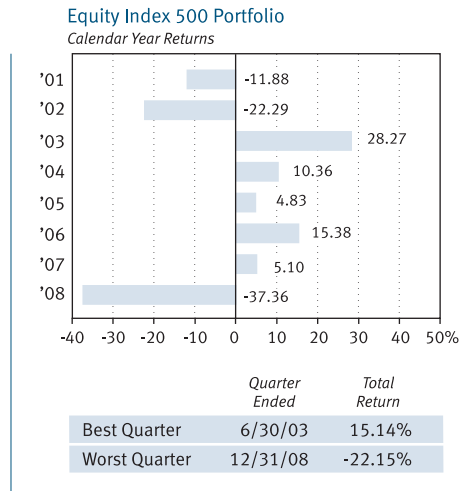
- ▶ ***Equity investors should have a long-term investment horizon and be willing to wait out bear markets.***

#### **How has the fund performed in the past?**

The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and over time. Past fund performance is no guarantee of future returns.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

Updated performance information is available through [troweprice.com](http://troweprice.com) or may be obtained by calling 1-800-469-5304.



**Table 1 Average Annual Total Returns**

	<b>Periods ended December 31, 2008</b>		
	<b>1 year</b>	<b>5 years</b>	<b>Since inception (12/29/00)</b>
Equity Index 500 Portfolio	-37.36%	-2.55%	-3.18%
S&P 500 Index	-37.00	-2.19	-2.89
Lipper Variable Annuity Underlying S&P 500 Index Objective Funds Average	-37.21	-2.55	-3.26*

These figures include changes in principal value, reinvested dividends, and capital gain distributions, if any.

Figures do not reflect fees at the insurance product or contract level; if those fees were included, returns would be lower.

S&P 500 Index tracks the stocks of 500 U.S. companies.

\* Since 12/31/00.

**What fees and expenses will I pay?**

The fees and expenses set forth in the following table are paid by the fund and borne indirectly by contract holders. There are additional expenses charged by insurance companies, which apply to your insurance contract or policy, and these are described in the variable annuity and variable life contract prospectuses.

**Table 2 Fees and Expenses of the Fund**

	<b>Annual fund operating expenses (expenses that are deducted from fund assets)</b>
Management fee	0.40%
Other expenses	—
<b>Total annual fund operating expenses</b>	<b>0.40%</b>

**Example.** The following table gives you an idea of how expense ratios may translate into dollars and helps you to compare the cost of investing in this fund with that of other mutual funds. Although your actual costs may be higher or lower, the table shows how much you would pay if operating expenses remain the same, you invest \$10,000, earn a 5% annual return, hold the investment for the following periods, and then redeem:

<i>1 year</i>	<i>3 years</i>	<i>5 years</i>	<i>10 years</i>
\$41	\$128	\$224	\$505

## **OTHER INFORMATION ABOUT THE FUND**

### **What are some of the fund's potential rewards?**

- The fund provides investors with a convenient and relatively low-cost way to approximate the performance of a significant portion of the U.S. stock market.
- Because the fund is passively managed, its expenses are lower than the average actively managed fund. Assuming all other factors are equal, lower expenses increase the fund's total return.
- Lower turnover should mean smaller capital gain distributions, which can raise the fund's after-tax returns.

### **How does a stock index mutual fund differ from the typical stock mutual fund?**

Index funds are managed to track the returns of a particular benchmark. Since fewer resources are devoted to researching stocks or bonds, and portfolio turnover (the buying and selling of securities) is low, an index fund incurs lower costs than the average equity or bond fund. The typical equity or bond fund is actively managed, meaning the manager makes purchase and sell decisions based on a particular security's prospects in pursuit of the fund's investment objective. In addition, index funds are almost entirely invested in stocks or bonds while actively managed funds often hold cash for strategic and defensive purposes.

### **Is there other information I can review before making a decision?**

Investment Policies and Practices in Section 3 discusses various types of portfolio securities the fund may purchase as well as types of management practices the fund may use.

The Statement of Additional Information contains more detailed information about the fund and its investments, operations, and expenses.

As an investor in a T. Rowe Price fund through your variable annuity or variable life insurance contract, you will want to know about the following policies and procedures that apply to the funds. For instructions on how to purchase and redeem shares, read the insurance contract prospectus.

## **PRICING SHARES AND RECEIVING SALE PROCEEDS**

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Shares of the fund are designed to be offered to insurance company separate accounts established for the purpose of funding variable annuity and life insurance contracts. Variable annuity and variable life contract holders or participants are not the shareholders of the fund. Rather, the separate account of the insurance company is the shareholder. The variable annuity and variable life contracts are described in separate prospectuses issued by the insurance companies. The fund assumes no responsibility for such prospectuses, or variable annuity or variable life contracts.

Shares of the fund are sold and redeemed without the imposition of any sales commission or redemption charge. However, certain other charges may apply to annuity or life contracts. Those charges are disclosed in the insurance contract prospectus.

Your ability to exchange from this fund to any other T. Rowe Price fund that serves as an investment option under your insurance contract is governed by the terms of that contract and the insurance contract prospectus, as well as the fund's excessive trading policy described in this section.

### **How and When Shares Are Priced**

The share price (also called "net asset value" or NAV per share) for a fund is calculated at the close of the New York Stock Exchange, normally 4 p.m. ET, each day that the exchange is open for business. To calculate the NAV, the fund's assets are valued and totaled, liabilities are subtracted, and the balance, called net assets, is divided by the number of shares outstanding. Market values are used to price stocks and bonds. Market values represent the prices at which securities actually trade or evaluations based on the judgment of the fund's pricing services. If a market value for a security is not available, the fund will make a good faith effort to assign a fair value to the security by taking into account factors that have been approved by the fund's Board of Directors. This value may differ from the value the fund receives upon sale of the securities. Amortized cost is used to price securities held by money market funds and certain other debt securities held by a fund. Investments in mutual funds are valued at the closing NAV per share of the mutual fund on the day of valuation.

Non-U.S. equity securities are valued on the basis of their most recent closing market prices at 4 p.m. ET except under the circumstances described below. Most foreign markets close before 4 p.m. ET. For securities primarily traded in the Far East, for example, the most recent closing prices may be as much as 15 hours old at 4 p.m. ET. If a fund determines that developments between the close of a foreign market and 4 p.m. ET will, in its judgment, materially affect the value of some or all of the fund's securities, the fund will adjust the previous closing prices to reflect what it believes to be the fair value of the securities as of 4 p.m. ET. In deciding whether to make these adjustments, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The fund may also fair value securities in other situations, for example, when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with closing market prices and information used for adjusting those prices. The fund cannot predict how often it will use closing prices and how often it will adjust those prices. As a means of

evaluating its fair value process, the fund routinely compares closing market prices, the next day's opening prices in the same markets, and adjusted prices. Other mutual funds may adjust the prices of their securities by different amounts.

### **How Your Purchase, Sale, or Exchange Price Is Determined**

#### **Purchases**

The insurance companies purchase shares of the fund for their separate accounts, using premiums allocated by the contract holders or participants. Shares are purchased at the NAV next determined after the insurance company receives the premium payment in acceptable form. Initial and subsequent payments allocated to the fund are subject to the limits stated in the insurance contract prospectus issued by the insurance company.

When authorized by the fund, certain financial institutions or retirement plans purchasing fund shares on behalf of customers or plan participants through Financial Institution Services or Retirement Plan Services may place a purchase order unaccompanied by payment. Payment for these shares must be received by the time designated by the fund (not to exceed the period established for settlement under applicable regulations). If payment is not received by this time, the order may be cancelled. The financial institution or retirement plan is responsible for any costs or losses incurred by the fund or T. Rowe Price if payment is delayed or not received.

#### **Redemptions**

The insurance companies redeem shares of the fund to make benefit or surrender payments under the terms of its contracts. Redemptions are processed on any day on which the New York Stock Exchange is open and are priced at the fund's NAV next determined after the insurance company receives a surrender request in acceptable form.

*Note:* The time at which transactions and shares are priced and the time until which orders are accepted may be changed in case of an emergency or if the New York Stock Exchange closes at a time other than 4 p.m. ET. There may be times when you are unable to contact us by telephone or access your account by computer due to extreme market activity, the unavailability of the T. Rowe Price Web site, or other circumstances. Should this occur, your order must still be placed and accepted prior to the time the New York Stock Exchange closes to be priced at that business day's NAV.

### **How You Can Receive the Proceeds From a Sale**

Payment for redeemed shares will be made promptly, but in no event later than seven calendar days after receipt of your redemption order. However, the right of redemption may be suspended or the date of payment postponed in accordance with the Investment Company Act of 1940 ("1940 Act"). The amount received upon redemption of the shares of the fund may be more or less than the amount paid for the shares, depending on the fluctuations in the market value of the assets owned by the fund.

### **Excessive and Short-Term Trading**

- ▶ ***T. Rowe Price may bar excessive and short-term traders from purchasing shares.***

Excessive or short-term trading in fund shares may disrupt management of a fund and raise its costs. Short-term traders in funds investing in foreign securities may seek to take advantage of an anticipated difference between the price of the fund's shares and price movements in overseas markets (see Pricing Shares and Receiving Sale Proceeds—How and When Shares Are Priced). While there is no assurance that T. Rowe Price can prevent all excessive and short-term trading, the Boards of Directors of the T. Rowe Price funds have adopted the following policies to deter such activity. Persons trading directly with T. Rowe Price or indirectly through intermediaries in violation of this policy or persons believed

to be short-term traders may be barred permanently from further purchases of T. Rowe Price funds. Purchase transactions placed by such persons are subject to rejection without notice. These policies apply to contract holders notwithstanding any provisions in your insurance contract.

- All persons purchasing shares held directly with a T. Rowe Price fund who make more than one purchase and one sale or one sale and one purchase involving the same fund within any 90-day calendar period will violate the policy.
- All persons purchasing fund shares held through an insurance company who hold the shares for less than 90 calendar days will violate the policy.

#### **Omnibus Accounts**

Intermediaries often establish omnibus accounts in the T. Rowe Price funds for their customers. In such situations, T. Rowe Price cannot always monitor trading activity by underlying contract holders. However, T. Rowe Price reviews trading activity at the omnibus account level and looks for activity that indicates potential excessive or short-term trading. If it detects suspicious trading activity, T. Rowe Price contacts the intermediary to determine whether the excessive trading policy has been violated and may request and receive personal identifying information and transaction histories for some or all contract holders to make this determination. If T. Rowe Price believes that its excessive trading policy has been violated, it will instruct the intermediary to take action with respect to the underlying contract holder in accordance with the policy.

#### **Exceptions to Policy**

Systematic purchases and redemptions are exempt from these policies. Redemptions to fund the periodic deduction of contract charges and fees and to pay death benefits are also exempt. Transactions in certain rebalancing and asset allocation programs may be exempt from the excessive trading policy subject to prior written approval by designated persons at T. Rowe Price. In addition, transactions by certain T. Rowe Price funds in other T. Rowe Price funds, as well as certain transactions by approved accounts managed by T. Rowe Price, may also be exempt.

T. Rowe Price generally seeks to enforce its excessive trading policies against individual contract holders when violations of its policies are discovered. The terms of your insurance contract may also restrict your ability to trade between the investment options available under your contract. T. Rowe Price reserves the right to modify the 90-day policy set forth above and apply your insurance company's excessive trading policy (for example, in situations where an insurance contract or insurance company has restrictions on trading that differ from a T. Rowe Price fund's policy). These modifications would be authorized only if T. Rowe Price believes that the modified policy would provide protection to the fund that is reasonably equivalent to the fund's regular policy. If you are trading your fund shares through an intermediary, you should consult with the intermediary to determine the excessive trading policy that applies to your trades in the fund.

There may be limitations on the ability of insurance companies to impose restrictions on the trading practices of certain contract holders. As a result, T. Rowe Price's ability to discourage excessive trading practices in this fund may be limited.

- ▶ ***There is no guarantee that T. Rowe Price will be able to detect or prevent excessive or short-term trading. In addition, T. Rowe Price cannot always detect excessive or short-term trading through intermediaries with omnibus accounts.***

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**RIGHTS RESERVED BY THE FUNDS**

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T. Rowe Price funds and their agents, in their sole discretion, reserve the following rights: (1) to waive or lower investment minimums; (2) to accept initial purchases by telephone or telegram; (3) to refuse any purchase or exchange order; (4) to cancel or rescind any purchase or exchange order placed through an intermediary, no later than the business day after the order is received by the intermediary (including, but not limited to, orders deemed to result in excessive trading, market timing, or 5% ownership); (5) to cease offering fund shares at any time to all or certain groups of investors; (6) to freeze any account and suspend account services when notice has been received of a dispute between the registered or beneficial account owners or there is reason to believe a fraudulent transaction may occur; (7) to otherwise modify the conditions of purchase and any services at any time; (8) to waive any wire fees charged to a group of shareholders; (9) to act on instructions reasonably believed to be genuine; and (10) to involuntarily redeem your account at the net asset value calculated the day the account is redeemed, in cases of threatening conduct, suspected fraudulent or illegal activity, or if the fund or its agent is unable, through its procedures, to verify the identity of the person(s) or entity opening an account.

In an effort to protect T. Rowe Price funds from the possible adverse effects of a substantial redemption in a large account, as a matter of general policy, no contract holder or participant or group of contract holders or participants controlled by the same person or group of persons will knowingly be permitted to purchase in excess of 5% of the outstanding shares of the fund, except upon approval of the fund's management.

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**DIVIDENDS AND OTHER DISTRIBUTIONS**

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For a discussion of the tax status of your variable annuity contract, please refer to the insurance contract prospectus.

**Dividends and Other Distributions**

The policy of the fund is to distribute all of its net investment income and net capital gains each year to its shareholders, which are the separate accounts established by the various insurance companies in connection with their issuance of variable annuity and variable life contracts. Dividends from net investment income are declared daily and paid monthly for the Limited-Term Bond and Prime Reserve Portfolios; declared and paid quarterly for the Equity Income, Equity Index 500, and Personal Strategy Balanced Portfolios; and declared and paid annually for all other portfolios. All fund distributions made to a separate account will be reinvested automatically in additional fund shares, unless a shareholder (separate account) elects to receive distributions in cash. Under current law, dividends and distributions made by the fund to separate accounts generally are not taxable to the separate accounts, the insurance company, or the contract holder, provided that the separate account meets the diversification requirements of Section 817(h) of the Internal Revenue Code of 1986, as amended, (Code) and other tax-related requirements are satisfied. The fund intends to diversify its investments in the manner required under Code Section 817(h).

## ORGANIZATION AND MANAGEMENT

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### How is the fund organized?

T. Rowe Price Equity Series, Inc. (the “corporation”) was incorporated in Maryland in 1994. Currently, the corporation consists of seven series, each representing a separate pool of assets with different objectives and investment policies.

The Equity Index 500 Portfolio is managed in a manner similar to the T. Rowe Price Equity Index 500 Fund, a fund with the same investment objective and program as the portfolio but offered to the general public and not to insurance company separate accounts. However, investors should be aware that the Equity Index 500 Portfolio is not the same as the fund and will not have the same performance. Investments made by the Equity Index 500 Portfolio at any given time may not be the same as those made by T. Rowe Price Equity Index 500 Fund. Different performance will result due to factors such as differences in the cash flows into and out of the portfolio and fund, different fees and expenses, and differences in net assets and size of holdings.

► *Shareholders benefit from T. Rowe Price’s 72 years of investment management experience.*

### What is meant by “shares”?

Contract holders and participants indirectly (through the insurance company separate account) purchase shares when they put money in a fund offered as an investment option in their insurance contracts. These shares are part of a fund’s authorized capital stock, but share certificates are not issued.

Each share and fractional share entitles the shareholder (the insurance company separate account) to cast one vote per share on certain fund matters, including the election of fund directors, changes in fundamental policies, or approval of changes in the fund’s management contract.

The shares of the fund have equal voting rights. The various insurance companies own the outstanding shares of the fund in their separate accounts. These separate accounts are registered under the 1940 Act or are exempted from registration thereunder. Under current law, the insurance companies must vote the shares held in registered separate accounts in accordance with voting instructions received from variable contract holders or participants having the right to give such instructions.

### Do T. Rowe Price funds have annual shareholder meetings?

The funds are not required to hold annual meetings and, to avoid unnecessary costs to fund shareholders, do not do so except when certain matters, such as a change in fundamental policies, must be decided. In addition, shareholders representing at least 10% of all eligible votes may call a special meeting for the purpose of voting on the removal of any fund director or trustee. If a meeting is held and you cannot attend, you can vote by proxy. Before the meeting, the insurance company will send or make available to you the fund’s proxy materials that explain the issues to be decided and include instructions on voting.

### Who runs the fund?

#### General Oversight

The fund is governed by a Board of Directors that meets regularly to review fund investments, performance, expenses, and other business affairs. The Board elects the fund’s officers. At least 75% of Board members are independent of T. Rowe Price.

- ▶ *All decisions regarding the purchase and sale of fund investments are made by T. Rowe Price—specifically by the fund's portfolio managers.*

### **Portfolio Management**

T. Rowe Price has established an Investment Advisory Committee with respect to the fund. The committee members are: E. Frederick Bair and Ken D. Uematsu, Co-chairmen, Sudhir Nanda, and Paul W. Wojcik. The committee co-chairmen have day-to-day responsibility for managing the fund's portfolio and work with the committee in developing and executing the fund's investment program. Mr. Bair joined T. Rowe Price in 1998 and his investment experience dates from 1994. Mr. Uematsu joined T. Rowe Price in 1997 and his investment experience dates from 1995. The Statement of Additional Information provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities in the fund.

### **The Management Fee**

The fund pays T. Rowe Price an annual fee that includes investment management services and ordinary, recurring operating expenses, but does not cover interest, taxes, brokerage, nonrecurring or extraordinary items. The fee is based on fund average daily net assets and is calculated and accrued daily. The fee for the fund for the most recent fiscal year was 0.40%.

In addition, from time to time, T. Rowe Price may make payments from its own resources to eligible insurance companies for recordkeeping and administrative services they provide to the fund for contract holders. These payments range from 0.15% to 0.25% of the average annual total assets invested by the separate accounts of the insurance company in the fund. T. Rowe Price may also reimburse insurance companies, broker-dealers, and other distributors for certain bona fide selling expenses associated with distribution of the insurance contracts in which the fund serves as an investment option. All payments described by this paragraph are paid by T. Rowe Price and not by the fund. As a result, the total expense ratio of the fund will not be affected by any such payments.

A discussion about the factors considered by the Board and its conclusions in approving the fund's investment management contract with T. Rowe Price appears in the fund's semiannual report to contract holders for the period ended June 30.

### **Variable Annuity and Variable Life Charges**

Variable annuity and variable life fees and charges imposed on contract holders and participants by the insurance companies are in addition to those described previously and are described in the variable annuity and variable life contract prospectuses.

### **Variable Annuity and Variable Life Conflicts**

The fund may serve as an investment medium for both variable annuity contracts and variable life insurance policies. Shares of the fund may be offered to separate accounts established by any number of insurance companies. The fund currently does not foresee any disadvantages to variable annuity contract owners due to the fact that the fund may serve as an investment medium for both variable life insurance policies and annuity contracts; however, due to differences in tax treatment or other considerations, it is theoretically possible that the interests of owners of annuity contracts and insurance policies for which the fund serves as an investment medium might at some time be in conflict. The fund's Board of Directors is required to monitor events to identify any material conflicts between variable annuity contract owners and variable life policy owners, and will determine what action, if any, should be taken in the event of such a conflict. If such a conflict were to occur, an insurance company participating in the fund might be required to redeem the investment of one or more of its separate accounts from the fund. This might force the fund to sell securities at disadvantageous prices.

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## UNDERSTANDING PERFORMANCE INFORMATION

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This section should help you understand the terms used to describe fund performance. You may see these terms used in shareholder reports you receive from your insurance company.

### Total Return

This tells you how much an investment has changed in value over a given period. It reflects any net increase or decrease in the share price and assumes that all dividends and capital gains (if any) paid during the period were reinvested in additional shares. Therefore, total return numbers include the effect of compounding.

Advertisements may include cumulative or average annual total return figures, which may be compared with various indices, other performance measures, or other mutual funds.

### Cumulative Total Return

This is the actual return of an investment for a specified period. A cumulative return does not indicate how much the value of the investment may have fluctuated *during* the period. For example, an investment could have a 10-year positive cumulative return, despite experiencing some years of negative returns during that time.

### Average Annual Total Return

This is always hypothetical and should not be confused with actual year-by-year results. It smoothes out variations in annual performance to tell you what *constant* year-by-year return would have produced the investment's actual cumulative return. This gives you an idea of an investment's annual contribution to your portfolio, provided you held it for the entire period.

Total returns quoted for the fund include the effect of deducting the fund's expenses, but may not include charges and expenses attributable to any particular insurance product. Since you can only purchase shares of the fund through an insurance product, you should carefully review the prospectus of the insurance product you have chosen for information on relevant charges and expenses. Excluding these charges from quotations of the fund's performance has the effect of increasing the performance quoted.

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## INVESTMENT POLICIES AND PRACTICES

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This section takes a detailed look at some of the types of fund securities and the various kinds of investment practices that may be used in day-to-day portfolio management. Fund investments are subject to further restrictions and risks described in the Statement of Additional Information.

Shareholder approval is required to substantively change fund objectives. Shareholder approval is also required to change certain investment restrictions noted in the following section as "fundamental policies." Portfolio managers also follow certain "operating policies" that can be changed without shareholder approval. Shareholders will receive at least 60 days' prior notice of a change in the policy requiring the fund to normally invest substantially all of its net assets in securities that make up its index. Fund investment restrictions and policies apply at the time of purchase. A later change in circumstances will not require the sale of an investment if it was proper at the time it was made. (This exception does not apply to the fund's borrowing policy.)

Fund holdings of certain kinds of investments cannot exceed maximum percentages of total assets, which are set forth in this prospectus. For instance, fund investments in certain derivatives are limited to 10% of total assets. While these restrictions provide a useful level of detail about fund investments,

investors should not view them as an accurate gauge of the potential risk of such investments. For example, in a given period, a 5% investment in derivatives could have significantly more of an impact on a fund's share price than its weighting in the portfolio. The net effect of a particular investment depends on its volatility and the size of its overall return in relation to the performance of all other fund investments.

Changes in fund holdings, fund performance, and the contribution of various investments are discussed in the shareholder reports sent to you by your insurance company.

- ▶ ***Fund managers have considerable discretion in choosing investment strategies and selecting securities they believe will help achieve fund objectives.***

### **Types of Portfolio Securities**

In seeking to meet its investment objective, fund investments may be made in any type of security or instrument (including certain potentially high-risk derivatives described in this section) whose investment characteristics are consistent with its investment program. The following pages describe various types of fund securities and investment management practices.

The fund must invest at least 80% of net assets in securities that make up its index.

***Diversification*** As a fundamental policy, the fund will not purchase a security if, as a result, with respect to 75% of its total assets, more than 5% of the fund's total assets would be invested in securities of a single issuer or more than 10% of the outstanding voting securities of the issuer would be held by the fund.

***Industry Concentration*** As a fundamental policy, the fund will not invest more than 25% of total assets (concentrate) in any single industry except to the extent the index concentrates in that industry.

### **Common Stocks**

Stocks represent shares of ownership in a company. Generally, preferred stock has a specified dividend and ranks after bonds and before common stocks in its claim on income for dividend payments and on assets should the company be liquidated. After other claims are satisfied, common stockholders participate in company profits on a pro-rata basis; profits may be paid out in dividends or reinvested in the company to help it grow. Increases and decreases in earnings are usually reflected in a company's stock price, so common stocks generally have the greatest appreciation and depreciation potential of all corporate securities.

### **Hybrid Instruments**

These instruments (a type of potentially high-risk derivative) can combine the characteristics of securities, futures, and options. For example, the principal amount, redemption, or conversion terms of a security could be related to the market price of some commodity, currency, securities, or securities index. Such securities may or may not bear interest or pay dividends. Under certain conditions, the redemption value of a hybrid could be zero.

- ▶ ***Hybrids can have volatile prices and limited liquidity, and their use may not be successful.***

***Operating policy*** Fund investments in hybrid instruments are limited to 10% of total assets.

## **Types of Investment Management Practices**

### **Reserve Position**

The fund will hold a certain portion of its assets in cash or cash equivalents. The fund's reserve position can consist of shares of a T. Rowe Price internal money fund and U.S. and foreign dollar-denominated money market securities, including repurchase agreements, in the two highest rating categories, maturing in one year or less. The reserve position provides flexibility in meeting redemptions, paying expenses, and in the timing of new investments.

### **Borrowing Money and Transferring Assets**

The fund may borrow from banks and other T. Rowe Price funds for temporary emergency purposes to facilitate redemption requests, or for other purposes consistent with fund policies as set forth in this prospectus. Such borrowings may be collateralized with fund assets, subject to restrictions.

*Fundamental policy* Borrowings may not exceed 33 $\frac{1}{3}$ % of total assets.

*Operating policy* Fund transfers of portfolio securities as collateral will not be made except as necessary in connection with permissible borrowings or investments, and then such transfers may not exceed 33 $\frac{1}{3}$ % of total assets. Fund purchases of additional securities will not be made when borrowings exceed 5% of total assets.

### **Futures and Options**

The fund may invest in futures and options to provide an efficient means of maintaining liquidity while being invested in the market, to gain exposure to the market while awaiting purchase of underlying securities, to facilitate trading, or to reduce transaction costs. The fund may also purchase call options on stock indices. Such options would be used in a manner similar to the fund's use of stock index futures.

Futures contracts and options prices can be highly volatile; using them could lower the fund's total returns; and the potential loss from the use of futures can exceed the fund's initial investment in such contracts.

Futures contracts and options may not always be successful hedges; their prices can be highly volatile; using them could lower fund total return; and the potential loss from the use of futures can exceed a fund's initial investment in such contracts.

*Operating policies* Initial margin deposits on futures and premiums on options used for non-hedging purposes will not exceed 5% of net asset value. No more than 5% of total assets will be committed to premiums when purchasing call options.

### **Exchange Traded Funds (ETFs)**

An ETF is a type of index fund bought and sold on a securities exchange. An ETF trades like common stock and typically represents a portfolio of securities designed to track a particular market index. The fund could purchase an ETF to temporarily gain exposure to a portion of the U.S. or a foreign market while awaiting purchase of underlying securities. The risks of owning an ETF are generally similar to the risks of owning the underlying securities in the index it is designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs.

### **Lending of Portfolio Securities**

A fund may lend its securities to broker-dealers, other institutions, or other persons to earn additional income. Risks include the potential insolvency of the broker-dealer or other borrower that could result in delays in recovering securities and capital losses. Additionally, losses could result from the reinvestment of collateral received on loaned securities in investments that default or do not perform as expected.

*Fundamental policy* The value of loaned securities may not exceed 33<sup>1</sup>/<sub>3</sub>% of total assets.

#### **Portfolio Turnover**

Turnover is an indication of frequency of trading. The fund will not generally trade in securities for short-term profits, but, when circumstances warrant, securities may be purchased and sold without regard to the length of time held. Each time the fund purchases or sells a security, it incurs a cost. This cost is reflected in the fund's net asset value but not in its operating expenses. The higher the turnover rate, the higher the transaction costs and the greater the impact on the fund's total return. Higher turnover can also increase the possibility of taxable capital gain distributions. The fund's portfolio turnover rates are shown in the Financial Highlights table.

#### **Standard & Poor's**

Although S&P obtains information for inclusion in or for use in the calculation of the S&P 500 Index from sources which S&P considers reliable, S&P does not guarantee the accuracy and/or the completeness of the S&P Index or any data included therein. S&P makes no warranty, express or implied, as to results to be obtained by the fund, or any other person or entity from the use of the S&P Index or any data included therein. S&P makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose with respect to the S&P Index or any data included therein. The fund is not sponsored, endorsed, sold, or promoted by S&P, and S&P makes no representation regarding the advisability of investing in the fund.

## **DISCLOSURE OF FUND PORTFOLIO INFORMATION**

The fund's portfolio holdings are disclosed on a regular basis in its semiannual and annual reports to shareholders and on Form N-Q, which is filed with the Securities and Exchange Commission within 60 days of the fund's first and third fiscal quarter-end. In addition, the fund discloses its calendar quarter-end portfolio holdings on [troweprice.com](http://troweprice.com) 15 calendar days after each quarter. Under certain conditions, up to 5% of the fund's holdings may be included in this portfolio list without being individually identified. Generally, securities would not be individually identified if they are being actively bought or sold and it is determined that the quarter-end disclosure of the holding could be harmful to the fund. A security will not be excluded for these purposes from a fund's quarter-end holdings disclosure for more than one year. The fund also discloses its largest 10 holdings on [troweprice.com](http://troweprice.com) on the seventh business day after each month-end. These holdings are listed in alphabetical order along with the aggregate percentage of the fund's total assets that they represent. The quarter-end portfolio will remain on the Web site for one year. Each monthly top 10 list will remain on the Web site for six months. A description of the fund's policy and procedures with respect to the disclosure of portfolio information is in the Statement of Additional Information.

## **FINANCIAL HIGHLIGHTS**

Table 3, which provides information about the fund's financial history, is based on a single share outstanding throughout the periods shown. The table is part of the fund's financial statements, which are included in its annual report and are incorporated by reference into the Statement of Additional Information (available upon request). The total returns in the table represent the rate that an investor would have earned or lost on an investment in the fund (assuming reinvestment of all dividends and distributions and no payment of account or [if applicable] redemption fees). The financial statements in the annual report were audited by the fund's independent registered public accounting firm, PricewaterhouseCoopers LLP.

**Table 3 Financial Highlights**

	<i>Year ended December 31</i>				
	<i>2004</i>	<i>2005*</i>	<i>2006*</i>	<i>2007*</i>	<i>2008*</i>
Net asset value, beginning of period	\$ 8.47	\$ 9.20	\$ 9.52	\$ 10.79	\$ 11.16
<b>Income From Investment Operations</b>					
Net investment income	0.14	0.15	0.17	0.18	0.18
Net gains or losses on securities (both realized and unrealized)	0.73	0.29	1.28	0.37	(4.31)
Total from investment operations	0.87	0.44	1.45	0.55	(4.13)
<b>Less Distributions</b>					
Dividends (from net investment income)	(0.14)	(0.12)	(0.18)	(0.18)	(0.19)
Distributions (from capital gains)	—	—	—	—	—
Returns of capital	—	—	—	—	—
Total distributions	(0.14)	(0.12)	(0.18)	(0.18)	(0.19)
Redemption fees added to paid in capital	—	—	—	—	—
<b>Net asset value, end of period</b>	<b>\$ 9.20</b>	<b>\$ 9.52</b>	<b>\$ 10.79</b>	<b>\$ 11.16</b>	<b>\$ 6.84</b>
<b>Total return</b>	<b>10.36%</b>	<b>4.83%</b>	<b>15.38%</b>	<b>5.10%</b>	<b>(37.36)%</b>
<b>Ratios/Supplemental Data</b>					
Net assets, end of period (in thousands)	\$5,449	\$14,572	\$16,736	\$16,270	\$ 6,103
Ratio of expenses to average net assets	0.40%	0.40%	0.40%	0.40%	0.40%
Ratio of net income to average net assets	1.65% <sup>a</sup>	1.61%	1.71%	1.60%	1.82%
Portfolio turnover rate	25.5%	4.8%	23.7%	16.0%	16.8%

\* Per share amounts calculated using average shares outstanding method.

<sup>a</sup> Includes the effect of a one-time special dividend (0.33% of average net assets) that is not expected to recur.

A Statement of Additional Information for the T. Rowe Price family of funds has been filed with the Securities and Exchange Commission and is incorporated by reference into this prospectus. Further information about fund investments, including a review of market conditions and the manager's recent strategies and their impact on performance, is available in the annual and semiannual shareholder reports. To obtain a free copy of a fund report or Statement of Additional Information, or for inquiries, contact your insurance company. The Statement of Additional Information and updated performance information are available through [troweprice.com](http://troweprice.com).

Fund information and Statements of Additional Information are also available from the Public Reference Room of the Securities and Exchange Commission. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-202-942-8090. Fund reports and other fund information are available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>. Copies of this information may be obtained, after paying a duplicating fee, by electronic request at [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the Public Reference Room, Washington D.C. 20549-0102.

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